

LENTA LIMITED

POLICY ON THE INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITOR

1. INTRODUCTION

- 1.1 The UK Corporate Governance Code requires Audit Committees to establish “formal and transparent arrangements...for maintaining an appropriate relationship with the company’s auditors” (Main Principle C.3).
- 1.2 The UK Corporate Governance Code also requires Audit Committees “to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements” (Code Provision C.3.2.).

2. ROLE OF THE AUDIT COMMITTEE

- 2.1 Under its terms of reference, the Audit Committee is required to oversee the relationship with the external auditor, including:
- a) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - b) assessing annually their independence and objectivity, taking into account the relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
 - c) agreeing with the Board a policy on the employment of former employees of the Company’s external auditor, then monitoring the implementation of this policy;
 - d) monitoring the external auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - e) developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter; and
 - f) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Lenta group (the “Group”) (other than in the ordinary course of business).
- 2.2 The Audit Committee has approved separate policies in respect of the provision of non-audit services by the external auditor and the employment of former employees of the external auditor.

3. APPROACH

- 3.1 In its Ethical Standard 1 (Revised) for Auditors, the Auditing Practices Board identifies a framework of threats and safeguards which should be used to assess and ensure the independence of external auditors. The threats listed are:
- a) the Self-interest threat – the auditors could benefit from a financial interest in the client;
 - b) the Self-review threat – the auditors may be reviewing their own work;
 - c) the Management threat – the auditors are required to make judgements or take decisions on behalf of management;
 - d) the Advocacy threat – the auditors are involved in promoting the client's interests;
 - e) the Familiarity threat – because of its relationships the auditor may be too sympathetic to the client's interests; and
 - f) the Intimidation threat – the auditor may be put in a situation where they are pressured by the client.
- 3.2 Safeguards may be provided by the audit profession as a whole, from within the audit client and from within the audit firm.
- 3.3 The Company's approach to evaluating the independence of its external auditor is based on the five Ethical Standards published by the Auditing Practices Board.

4. POLICY

The Audit Committee shall review the independence and objectivity of the external auditor once a year. The Audit Committee shall also implement a process for reviewing the effectiveness of the external audit once a year.

5. INTEGRITY

- 5.1 When reviewing the independence and objectivity of the external auditor, the Audit Committee shall consider all relationships between the Company and the audit firm (including those for the provision of non-audit services). The Audit Committee shall also consider whether, taken as a whole and having regard to the views, as appropriate, of the external auditor, management and internal audit, those relationships appear to impair the external auditor's judgement or independence.
- 5.2 None of the members of the audit team or any partners of the external audit firm should have any family, financial, employment, investment or business relationship with the Group (other than in the normal course of business).
- 5.3 The Audit Committee shall issue the Company's policy concerning the employment of former employees of the external auditor and shall review that policy once a year.

- 5.4 The Audit Committee shall require the external audit firm, on an annual basis, to provide information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm and other related regulatory requirements.

6. NON-AUDIT SERVICES

- 6.1 The Audit Committee shall issue and shall annually review the Company's policy in relation to the provision of non-audit services by the external auditor. The Audit Committee's objective shall be to ensure that the provision of such services does not impair the external auditor's independence or objectivity.
- 6.2 The Audit Committee shall apply the criteria set out in Appendix 1 when assessing the independence of the external auditor in accordance with this policy.

APPENDIX 1

Criteria for assessing the Independence and Objectivity of the External Auditor.

- Is there an appropriate balance in the control of the relationship with the external auditor between the Audit Committee and executive management?
- Does the external auditor have open lines of communication and reporting with the Audit Committee?
- Does the external auditor meet with the Audit Committee on a confidential basis, without executive management present?
- Are unadjusted audit differences and significant weaknesses in internal controls appropriately communicated?
- Do individuals assigned to the audit demonstrate a high degree of integrity in their dealings with the Audit Committee?
- Does the audit firm discuss their internal process for ensuring independence with the Audit Committee?
- Do management respect the external auditor as providers of an objective and challenging audit process?
- Has the Audit Committee obtained details of the external audit firm's internal processes for ensuring independence and is the Audit Committee satisfied with that information?
- Is the Audit Committee satisfied that its policy on the provision of non-audit services by the external auditor is appropriate and has been properly adhered to?
- Is the level and nature of entertainment between the external audit firm and management appropriate?
- Do any key members of the audit team have any family, financial, employment, investment or business relationship with the Company and/or its subsidiaries (other than in normal course of business)?